

The Small Business Health Plans Act



Expanding Health Care Coverage for Maine's Small Businesses

Employer-based health insurance premiums have increased by 73 percent since 2000 and now constitute an alarming obstacle to American businesses trying to compete with companies in nations with more cost-effective health care systems. The high cost of health insurance is particularly difficult for small business owners and the self-employed in Maine.

In order to make quality health insurance more affordable, we must make it easier for small businesses to provide health coverage for their employees, who make up the largest proportion of America's uninsured individuals. Small firms inherently have higher administrative costs, fewer people over whom to spread the risk of catastrophic costs, and lack the purchasing power of large firms to negotiate with insurers.

The Small Business Health Plans Act would establish a small employer health benefits program for employers with 50 or fewer employees, overseen by the Secretary of Labor. It would create new purchasing pools to provide a choice of health plans to small businesses, their workers and the self-employed, similar to what is offered to federal employees. States would have the option to set up these pools. If they decline, a national option would be made available.

To encourage plans to participate, insurance companies would be eligible for reinsurance coverage (up to 75 percent of costs) for catastrophic cases. Reinsurance is particularly important to the small group and individual insurance markets, which are especially vulnerable to the risk of "adverse selection": disproportionate enrollments of individuals with extraordinarily high medical costs.

In addition to providing choices of health plans, the bill would make premiums more affordable. Premium assistance would help the smallest firms and lowest-wage workers. The bill creates incentives to promote lower costs through reduced drug prices, better management of chronic illness, and an emphasis on disease prevention and health promotion.

Taken together, these policies would provide guaranteed, quality coverage at affordable rates to small businesses and their workers without preempting state requirements.
